



# DCH: OPEB & SHBP Liabilities

Caylee Noggle, Commissioner



# SHBP OPEB Liabilities

- OPEB = Other Post-Employment Benefits (other than pensions) is a calculation of the cost of retiree health care expenses
  - Separate OPEB trust funds exist for State Retirees and School Retirees
- Both trusts are funded annually on a “Pay As You Go” or “Pay Go” status to cover the cost of current year health expenses
- Additional funds required to cover the Actuarial Accrued Liability (projected costs of future healthcare expenses) - the funding ratio is reported annually

# SHBP Membership

	State	Teachers	School Non-Cert	Total
Active	48,264	116,022	62,719	227,005
Active Dependents	39,201	155,692	54,314	249,207
Retirees, Spouse, and Dependents	48,303	93,475	33,747	175,525
<b>Total</b>	<b>135,768</b>	<b>365,189</b>	<b>150,780</b>	<b>651,737</b>

# State Retiree OPEB Liabilities

Valuation Year	Total OPEB Liability	Fiduciary Net Position	Unfunded Accrued Liability	Funding Ratio	Employer Contribution Rate
6/30/2017	\$ 4,929,142,428	\$ 854,937,155	\$ 4,074,205,273	17.34%	30.454%
6/30/2018	\$ 3,817,452,572	\$ 1,201,865,359	\$ 2,615,587,213	31.48%	30.454%
6/30/2019	\$ 2,858,522,167	\$ 1,617,206,720	\$ 1,241,315,447	56.57%	30.454%
6/30/2020	\$ 2,792,919,183	\$ 1,667,521,273	\$ 1,125,397,910	59.71%	29.454%
6/30/2021	\$ 2,213,297,980	\$ 1,938,442,606	\$ 274,855,374	87.58%	29.454%
6/30/2022	\$ 2,250,451,175	\$ 1,801,133,376	\$ 449,317,799	80.03%	29.454%

# School Retiree OPEB Liabilities

Valuation Year	Total OPEB Liability	Fiduciary Net Position	Unfunded Accrued Liability	Funding Ratio	PMPM Rate
6/30/2017	\$ 14,279,644,305	\$ 229,684,553	\$ 14,049,959,752	1.61%	\$945*
6/30/2018	\$ 13,092,956,161	\$ 383,263,046	\$ 12,709,693,115	2.93%	\$945**
6/30/2019	\$ 12,867,274,202	\$ 595,127,108	\$ 12,272,147,094	4.63%	\$945
6/30/2020	\$ 15,298,687,911	\$ 611,016,804	\$ 14,687,671,107	3.99%	\$945
6/30/2021	\$ 11,539,870,356	\$ 709,043,075	\$ 10,830,827,281	6.14%	\$945
6/30/2022	\$ 10,554,743,792	\$ 651,561,851	\$ 9,903,181,941	6.17%	\$945

\*Employer contribution rate for the Non-Certificated School Service Personnel Plan was \$846.20 per member per month

\*\*Employer contribution rate for the Non-Certificated School Service Personnel Plan increased from \$846.20 to \$945 per member per month, effective January 1, 2018



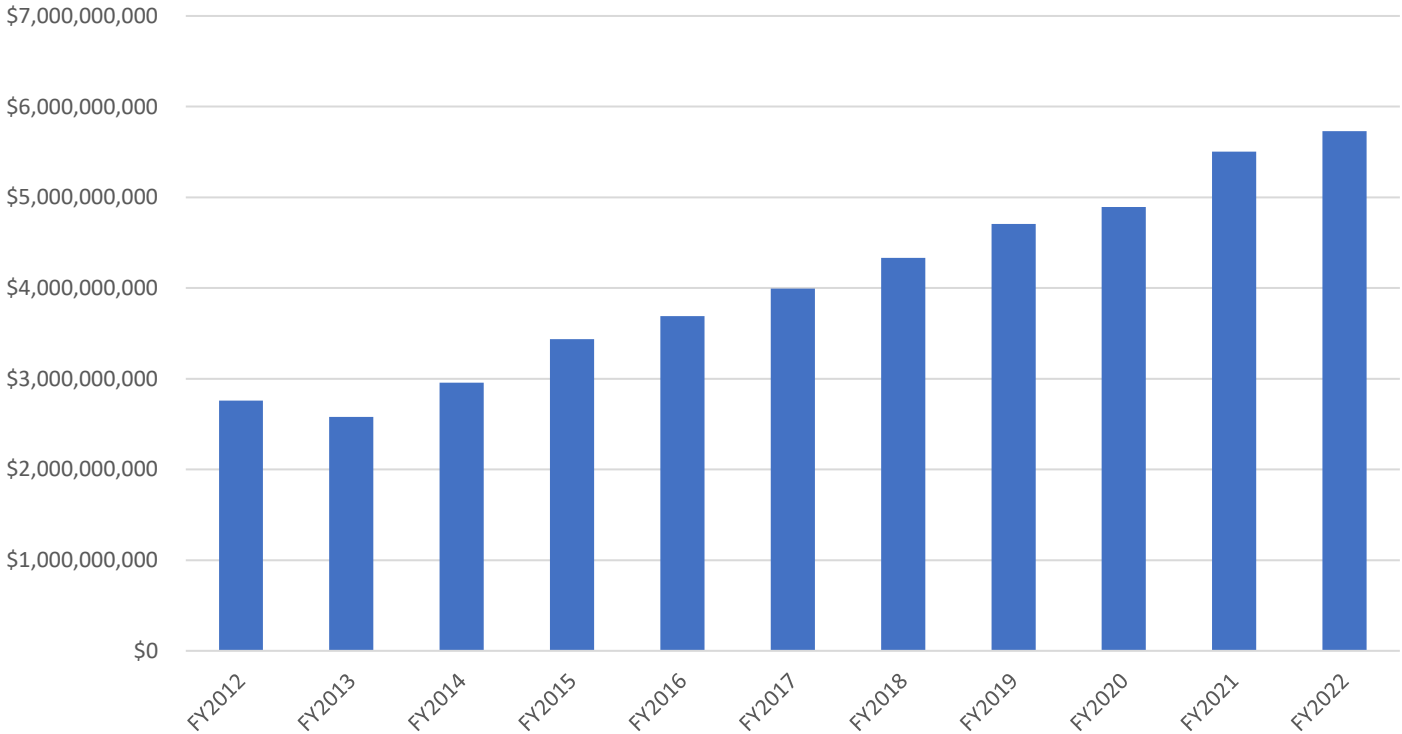
# SHBP Expenditures

## FY 2012 to FY 2022

107.6% increase between FY 2012 and FY 2022

**Fiscal Year % Change**

FY2013	-6.5%
FY2014	14.6%
FY2015	16.2%
FY2016	7.4%
FY2017	8.3%
FY2018	8.4%
FY2019	8.6%
FY2020	4.0%
FY2021	12.4%
FY2022	4.1%



\*Membership decreased 2% during same time period

# SHBP Financial Status

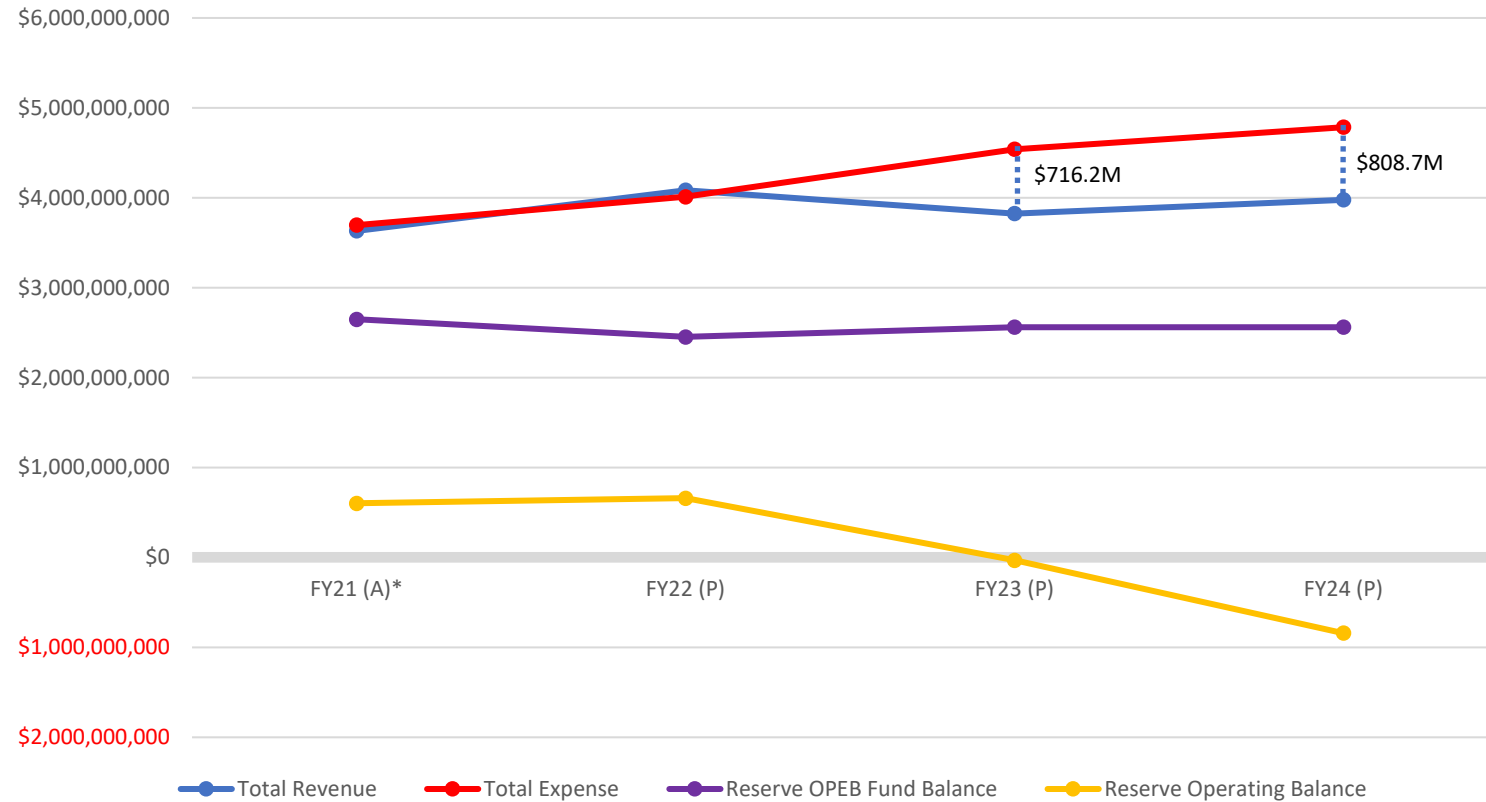
	<u><b>FY21(A)</b></u>	<u><b>FY22 (A)</b></u>	<u><b>FY23 (P)</b></u>	<u><b>FY24 (P)</b></u>
<b>Total Revenue*</b>	<b>3,632,706,409</b>	<b>4,083,445,617</b>	<b>3,823,635,000</b>	<b>3,977,075,084</b>
Baseline Expense	3,696,789,775	4,011,252,538	4,539,793,000	4,785,788,000
<b>Total Expense</b>	<b>3,696,789,775</b>	<b>4,011,252,538</b>	<b>4,539,793,000</b>	<b>4,785,788,000</b>
<b>Net Surplus/(Deficit)*</b>	<b>(64,083,366)</b>	<b>72,193,079</b>	<b>(716,158,000)</b>	<b>(808,712,916)</b>
<b>Total Reserve Fund Balance</b>	<b>3,249,501,970</b>	<b>3,110,680,170</b>	<b>2,528,486,911</b>	<b>1,719,773,994</b>
Reserve OPEB Fund Balance	2,647,485,682	2,452,695,227	2,560,743,177	2,560,743,177
Reserve Operating Balance	602,016,288	657,984,943	(32,256,266)	(840,969,182)

\*Revenue and Net Surplus/Deficit does not include Unrealized Gains/Losses on Investments. This totaled \$339.5M in FY21 and (\$211M) in FY22.

\*\*In FY22 SHBP received \$230M in State Appropriations and \$198.8M in Coronavirus Relief Funds, which are included in the Revenue amounts above.



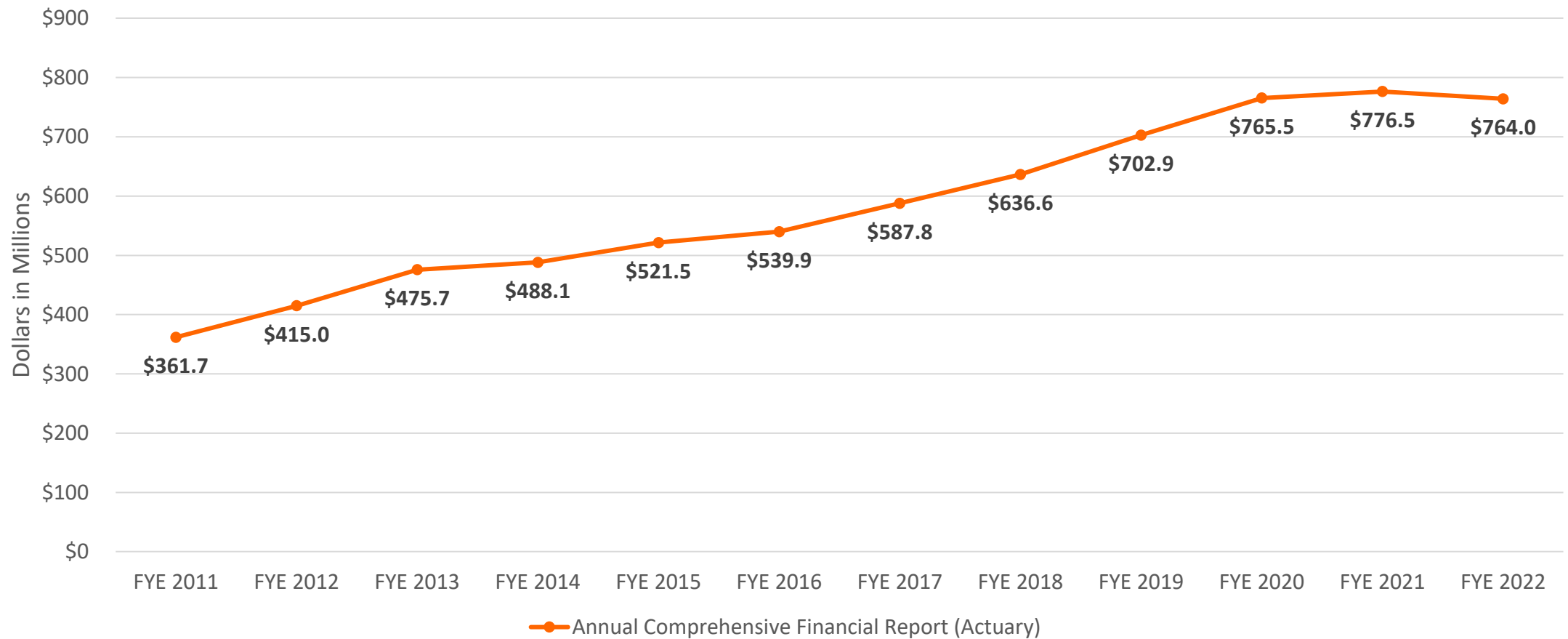
# SHBP Financial Status





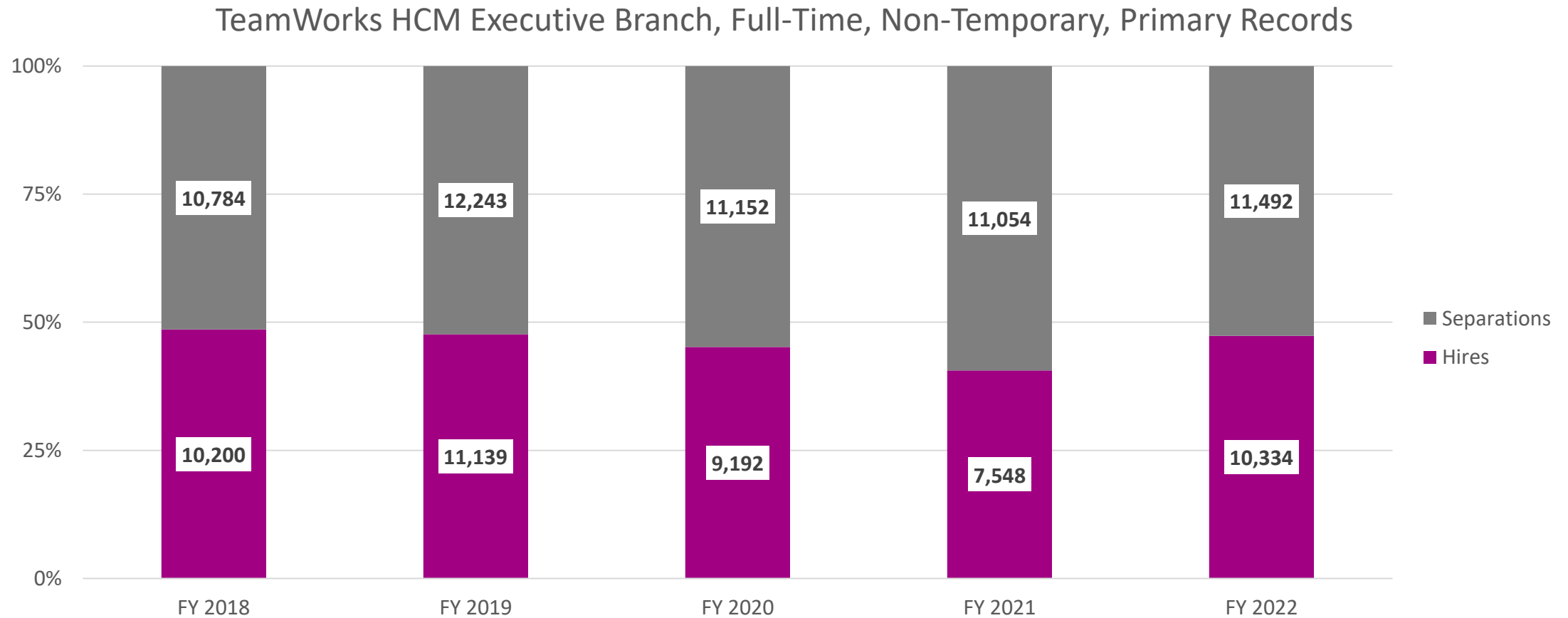
# DOAS Risk Management

## Workers' Compensation Outstanding Claim Liability



# DOAS Human Resources Administration

## Separations versus Hires



# Workforce Initiatives - Retirement

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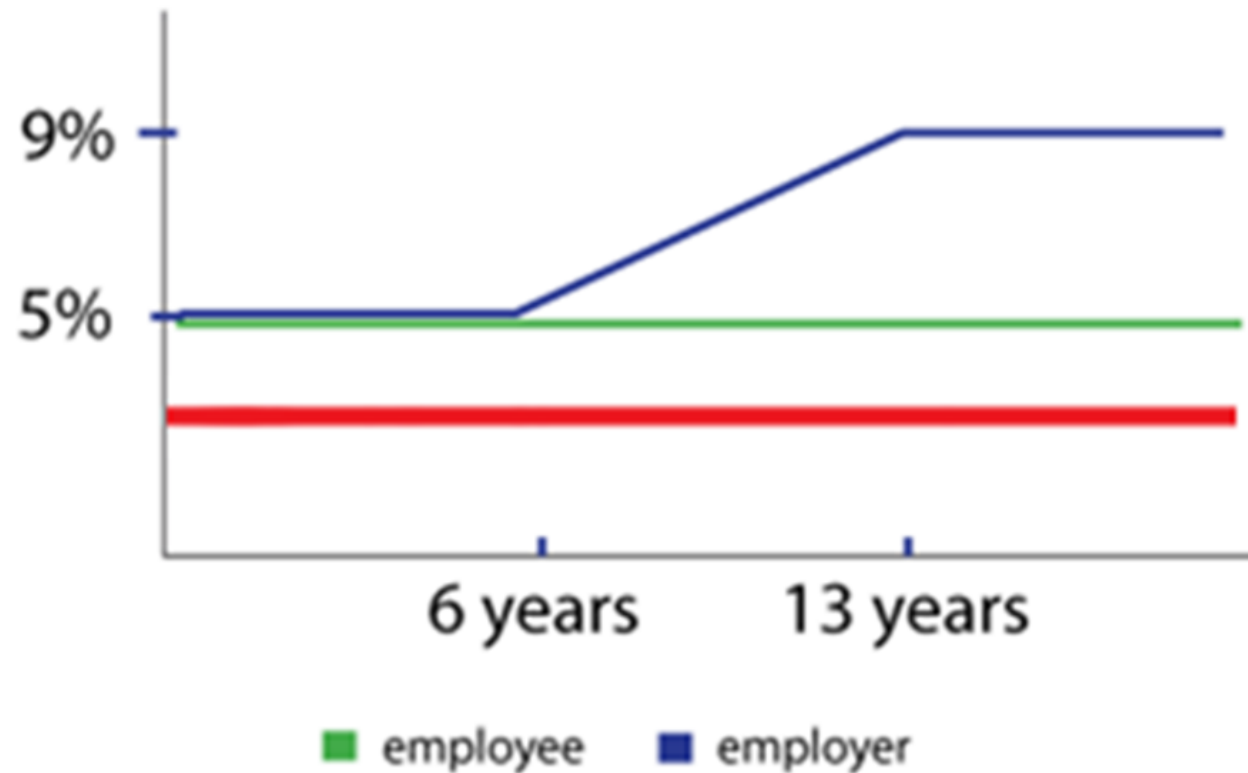
## Retirement System Investments

Pension: Begin prefunding Cost-of-Living Adjustments in ERS for the first time

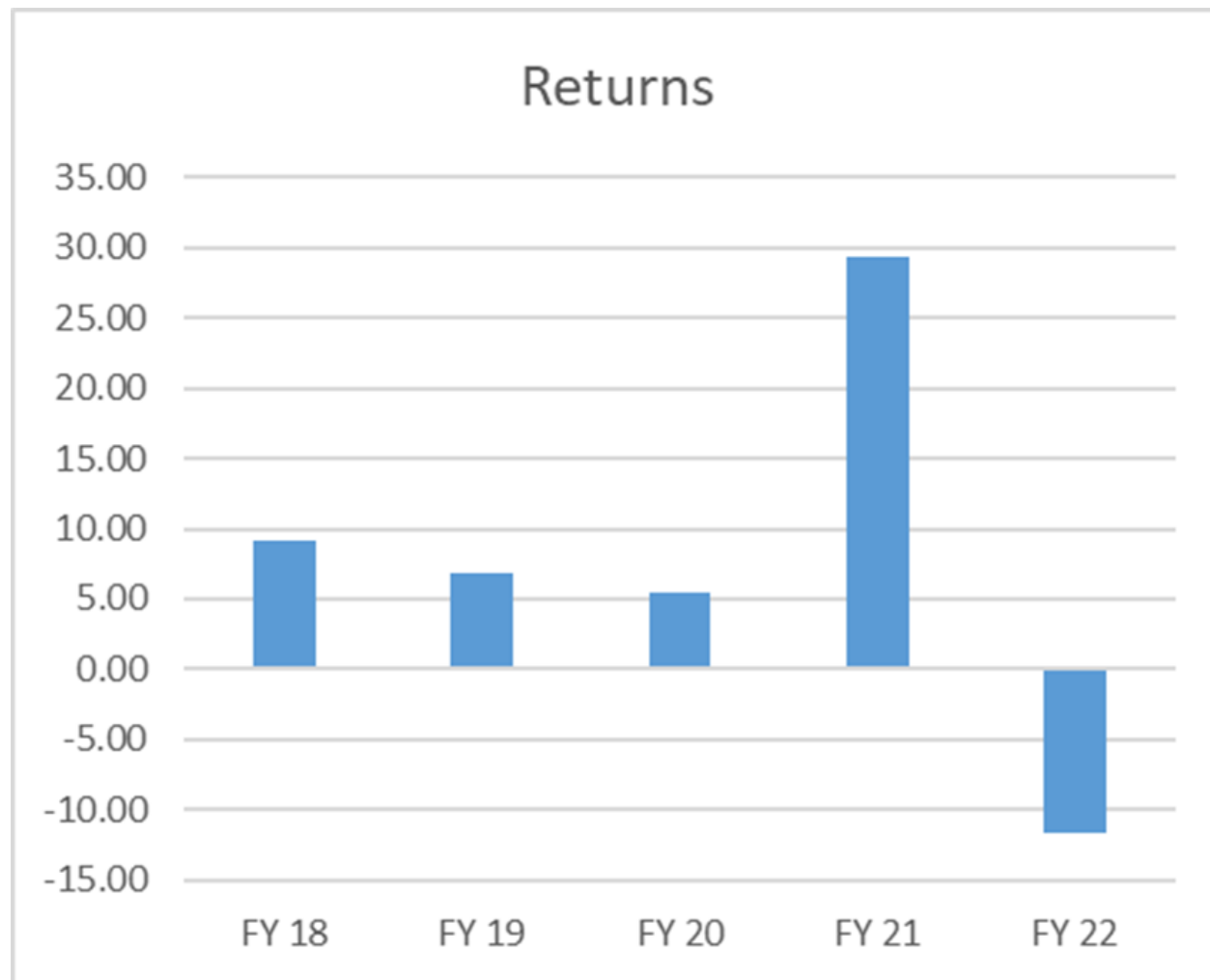
401(k) for GSEPS members: Significant enhancements to employer match formula

# Senate Bill 343 (2022)

## GSEPS Employer Match



# Investment Returns FY 2018-22



Five-Year  
Average =  
7.05%

# Unfunded Liabilities

Valuation	Budget		Funding	New Plan	GSEPS
Year End	Year	UAL*	Ratio	ADEC	ADEC
6/30/2020	FY 2023	\$4,819,175	73.8%	31.01%	27.47%
6/30/2021	FY 2024	\$5,702,095	71.6%	29.35%	25.51%
6/30/2022	FY 2025	\$5,607,333	72.2%	29.49%	25.72%
6/30/2023	FY 2026	\$6,215,622	70.1%	29.52%	25.97%
6/30/2024	FY 2027	\$6,150,994	70.5%	29.77%	26.27%

\* in thousands

# Actuarial Improvements

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- Investment return assumption reduced from 7.5% to 7.2%
  - Long-term target of 7.0%
- Asset smoothing period reduced from 7 years to 5 years
- Amortization changed from open period to closed period
- Amortization period reduced from 30 years to 20 years
- Amortization payments changed from level percent of pay to level dollar
- Experience studies in 2015 and 2020
  - Changed mortality assumptions to better reflect long-term trends

# TRS Legislative Update

## January 17, 2023



**L. C. (Buster) Evans**  
**Executive Director**  
**Teachers Retirement System of Georgia**





# Key Plan Information



- Primary membership: PK-12, Board of Regents, TCSG, Public Libraries, County Extension, Charter Schools
- Total Members - 500,000 +/-
  - Beneficiaries - 145,027
  - Active Contributing - 244,841
  - Inactive - 108,179
- Funding ratio FY 21 at 81.3%
- Assumed Rate of Return Lowered to 6.9% in FY 22
- Assets at \$87.465 billion (12/31/2022)
- Retirements actually down 5% from last year

# Recent Market Volatility



- FY 2021 was the best year since 1986 with returns on assets were 29.2% (13<sup>th</sup> consecutive year of positive returns)
- FY 2022 Returns for year were **-12.85%**
- Gains FYTD (1/9/2023) for 2023: **3.9%**
- Asset gains and losses are actuarially smoothed over a 5 year period.

# Unfunded Liabilities



Valuation Year	Fiscal Year Budget	Unfunded Accrued Liability*	Funding Ratio	Employer Contribution Rate
6/30/2016	FY 2019	\$23,560,065	74.3%	20.90%
6/30/2017	FY 2020	\$24,768,371	74.2%	21.14%
6/30/2018	FY 2021	\$21,880,889	77.4%	19.06%
6/30/2019	FY 2022	\$23,712,477	76.7%	19.81%
6/30/2020	FY 2023	\$25,556,204	76.2%	19.98%
6/30/2021	FY 2024	\$21,654,597	81.3%	19.98%

\*In Thousands

# Actuarially Determined Employer Contributions (ADEC)



<u>State ADEC Projections FY 22 Through FY 2027</u>	
Fiscal Year	State \$
FY 22	\$1,402,291
FY 23	\$1,449,683
FY 24	\$1,485,925
FY 25	\$1,579,484
FY 26	\$1,736,174
FY 27	\$1,898,911

\*In Thousands

\*\*2.5% Wage Growth

# Sustainability Changes



- **Elimination of 1.5% tax offset – FY 2013**
- **Adopted 30 Year Closed UAL Amortization Schedule – FY 2014**
- **Reduction Assumption Rate From 7.5% to 7.25% - FY 2019**
- **Addition of Alternatives Asset Class – FY 2022**
- **Reduction Assumption Rate From 7.25% to 6.9% without adding any additional UAL - FY 2022**
- **Reduced Closed Amortization Schedule for UAL to 23 years with future years amortized over 25 Years– FY 2022**

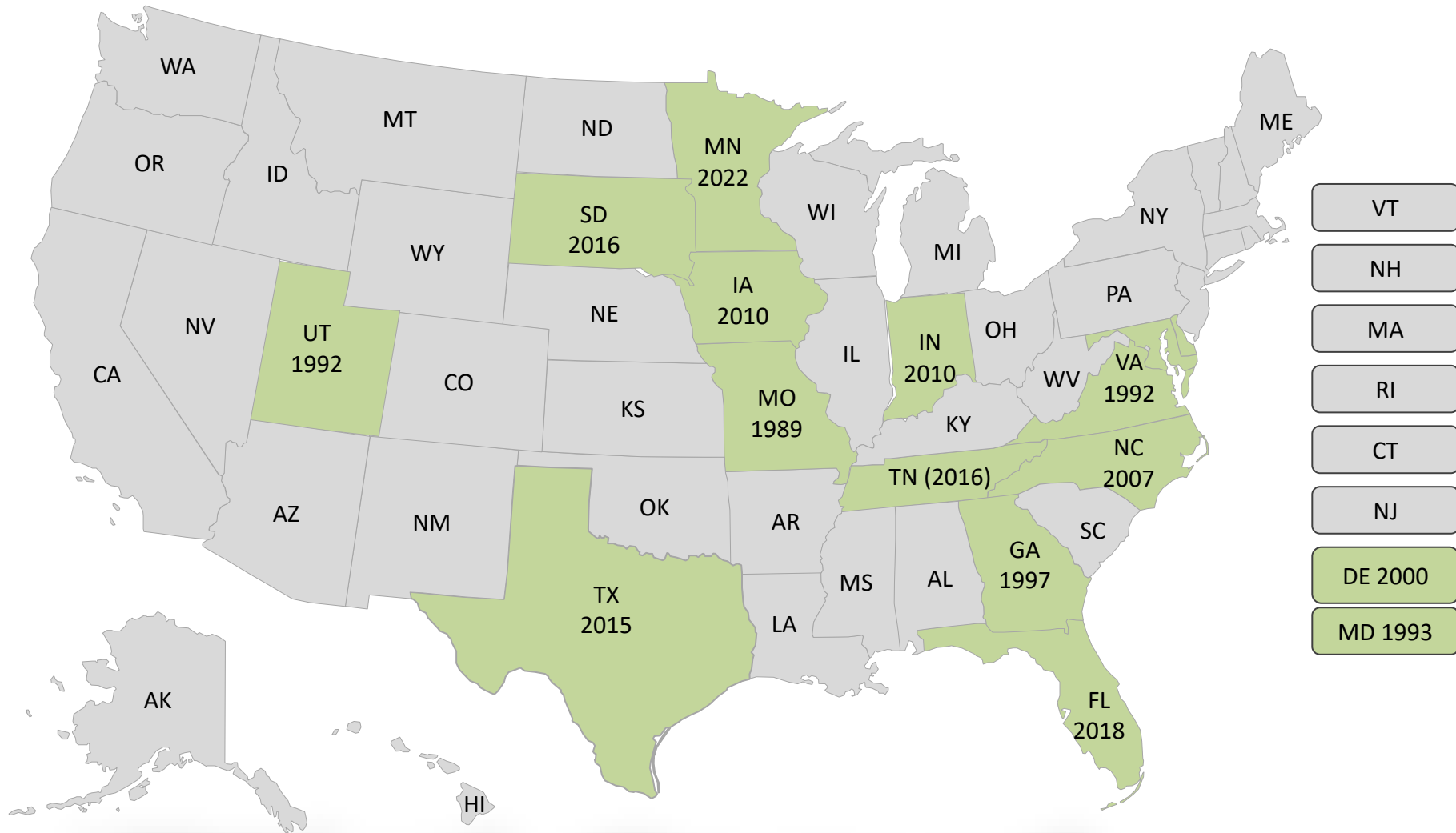
# Credit Ratings

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**Moody's: Aaa (1974)**

**Fitch: AAA (1993)**

**S&P: AAA (1997)**



## Georgia is one of 14 States Rated Triple-A by all three Rating Agencies

(3 States do not have any state general obligation debt: IA, IN, SD)

# Key Credit Strengths

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- Conservative fiscal governance
- Demonstrated willingness to make politically difficult decisions to align expenditures with revenue projections
- Solid reserves
- Diverse economy
- Sustained population growth
- Conservative debt management policies
- Annual 100% funding of ADEC



## Factors that could lead to a Negative Rating Action/Downgrade

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- A departure from strong fiscal management and governance practices
- Materially diminished financial position
- Growth in long-term liabilities and fixed costs that outpace expansion of the State's economy and revenue base